

## Part B Consultation Questions

Please indicate your preference by checking the appropriate boxes. Please reply to the questions below on the proposed change discussed in the Consultation Paper downloadable from the HKEx website at: <http://www.hkex.com.hk/eng/newsconsul/mktconsul/Documents/cp201507.pdf>

Where there is insufficient space provided for your comments, please attach additional pages.

1. Do you agree with our proposal to amend Rule 13.91 to require issuers to disclose in their annual reports or ESG reports whether they have complied with the “comply or explain” provisions in the ESG Guide and if they have not, they must give considered reasons in the ESG reports?

Yes

No

Please give reasons for your views.

We are generally supportive of the proposed amendments of Rule 13.91 upgrading the General Disclosures for each Aspect of the ESG Guide to “comply or explain”.

However, we believe that key performance indicators (KPIs) should remain strictly voluntary and companies should be allowed to decide and report KPIs which best fit their own business circumstances in respect of the materiality principle, and when companies have gradually developed their competency and reporting scope over time.

In addition, it is submitted that, since the Consultation Paper mentions that disclosures may be provided at the group level rather than by each subsidiary within a group, in the situation where both the parent company and the subsidiary are listed issuers but they engage in different industries, the listed subsidiary should be covered by the ESG report of the parent company and the listed subsidiary should only be required to provide a supplementary ESG report which deals with the different industry it is engaged in. Specifically, we are considering this: we are a subsidiary of Company X, and hence we and our subsidiaries are all part of the parent group and follow parent company’s policies, for example various human resources and administrative services polices etc.; however, it is noted that we have our own line of business which is distinct from our parent company’s business. Because of the above, it is expected that some of our KPIs would be covered by the disclosures made in parent company’s ESG Report, whereas some of our KPIs would be specific to the industry of our business. Therefore, it is suggested that for those aspects which we would follow parent company’s policies, the disclosures regarding those aspects be provided at the group level (i.e. in parent company’s ESG report), and we will supplement that by a separate ESG report which covers the industry-specific KPIs applicable to us.

2. Do you agree with our proposal to amend Rule 13.91 to require the issuer to report on ESG annually and regarding the same period covered in its annual report?

Yes

No

Please give reasons for your views.

3. Do you agree with our proposal to include a Note under Rule 13.91 to clarify that:

(i) an ESG report may be presented as information in its annual report, in a separate report, or on the issuer's website; and

Yes

No

Please give reasons for your views.

We recommend that the ESG report be presented on the issuer's website as it would be more environmentally-friendly if the reports are not required to be published in hardcopies.

(ii) the issuer should publish the ESG report as close as possible to, and in any event no later than three months after, the publication of the issuer's annual report?

Yes

No

Please give reasons for your views.

4. Do you agree with our proposal to revise the introductory section of the Guide into four areas (i.e. "The Guide", "Overall Approach", "Reporting Principles" and "Complementing ESG Discussions in the Business Review Section of the Directors'

Report”), and with the wording set out in Appendix II to the Consultation Paper?

Yes

No

Please give reasons for your views.

5. Do you agree with the proposed wording of the Reporting Principles (i.e. “Materiality”, “Quantitative”, “Balance” and “Consistency”) in the introductory section of the Guide, as set out in Appendix II to the Consultation Paper?

Yes

No

Please give reasons for your views.

We are generally supportive of the proposed changes which appear to be reasonable and in line with the international standards.

However, the principle of “Materiality” may be hard to grasp and could bring uncertainty; therefore, we suggest that the Stock Exchange provide more practical guidelines to help define the concept of materiality.

6. Do you agree with the proposed wording in the Guide linking it to Appendix 16 to the Main Board Listing Rules (in relation to the requirement for ESG discussions in the business review section of the directors’ report), as set out in Appendix II to the Consultation Paper?

Yes

No

Please give reasons for your views.

We are generally supportive of the proposed linkage.

However, as per our response to Q1, disclosures of KPIs and other quantified data should remain strictly voluntary and companies should be allowed to decide and report KPIs which best fit their own business circumstances in respect of the materiality principle.

7. Do you agree with the proposal to re-arrange the Guide into two Subject Areas (A. Environmental and B. Social) and re-categorise “Workplace Quality”, “Operating Practices” and “Community Involvement” under Subject Area B?

Yes

No

Please give reasons for your views.

8. Do you agree with the proposal to change the heading “Workplace Quality” to “Employment and Labour Standards”?

Yes

No

Please give reasons for your views.

9. Do you agree with our proposal to upgrade the General Disclosures for each Aspect of the ESG Guide to “comply or explain”?

Yes

No

Please give reasons for your views.

10. Do you agree with our proposal to amend the wording of paragraph (b) under current Aspects A1, A2, A4, B1, C2 and C3, re-numbered Aspects A1, B1, B2, B4, B6 and B7, to “compliance with relevant laws and regulations that have a significant impact on the issuer...” in order to align it with the language of the relevant provisions of the Companies Ordinance?

Yes

No

Please give reasons for your views.

11. Do you agree with our proposal to revise proposed Aspect A1 (“Emissions”) by upgrading to “comply or explain” the current KPIs B1.1, B1.2, B1.4 and B1.5, re-numbered KPIs A1.1, A1.2, A1.4 and A1.5, concerning disclosure of emissions and non-hazardous waste?

Yes

No

Please give reasons for your views.

As set out in the response to Q1 above, we do not agree with the proposal to upgrade all KPIs to “comply or explain” and we maintain that the choice of KPIs should be voluntary.

12. Do you agree with our proposal to upgrade to “comply or explain” the current KPIs B1.3 and B1.6, re-numbered KPIs A1.3 and A1.6, concerning disclosure of hazardous waste?

Yes

No

Please give reasons for your views.

As set out in the response to Q1 above, we do not agree with the proposal to upgrade all KPIs to “comply or explain” and we maintain that the choice of KPIs should be voluntary.

13. Do you agree with our proposal to upgrade to “comply or explain” the KPIs under the current Aspect B2, re-numbered Aspect A2, “Use of Resources”?

Yes

No

Please give reasons for your views.

As set out in the response to Q1 above, we do not agree with the proposal to upgrade all KPIs to “comply or explain” and we maintain that the choice of KPIs should be voluntary.

14. Do you agree with our proposal to upgrade to “comply or explain” the current KPI B3.1, re-numbered KPI A3.1, concerning disclosure of the significant impacts of activities on the environment and natural resources?

Yes

No

Please give reasons for your views.

As set out in the response to Q1 above, we do not agree with the proposal to upgrade all KPIs to “comply or explain” and we maintain that the choice of KPIs should be voluntary.

15. Do you agree with our proposal to incorporate gender disclosure in proposed Subject Area B. Social, under the sub-heading “Employment and Labour Standards”?

Yes

No

Please give reasons for your views.

We are generally supportive of the proposal to incorporate gender disclosure as part of the General Disclosure requirements, but not to have gender being used as a compulsory KPI.

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